

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
SECRETARY OF STATE
STATE OF INDIANA
March 1, 2001 to May 31, 2003



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AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary of State	Mr. Todd Rokita Mrs. Sue Anne Gilroy	01-01-03 to 12-31-06 01-01-99 to 12-31-02
Co-Directors, Election Division	Mr. J. Bradley King Ms. Kristi Robertson Ms. Laurie Christie Mr. Spencer Valentine	02-18-02 to 02-18-06 12-01-02 to 12-01-06 01-29-01 to 02-17-02 01-18-99 to 11-30-02



STATE OF INDIANA

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE OFFICE OF SECRETARY OF STATE

We have reviewed the receipts, disbursements, and assets of the Secretary of State for the period of March 1, 2001, to May 31, 2003. Secretary of State's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Secretary of State are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

July 14, 2003

SECRETARY OF STATE
REVIEW COMMENTS
May 31, 2003

SDO FUND

The Secretary of State Administrative Special Disbursing Officer Funds (SDO), Administration and Enforcement accounts do not reconcile to the amount advanced. Currently, the Administration account is \$642.28 more than the amount needed to balance to the advance and the Enforcement account is \$7.30 less than the amount needed to balance to the advance. In addition the Election Division's General account does not reconcile to the amount advanced. Currently, this account is approximately \$350.00 less than the amount needed to balance to the advance.

At all times, the unreimbursed disbursements plus any advances to office cash or subsidiary checking accounts plus the SDO checking account balance must equal the local purchase advance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

The Special Disbursing Officer is accountable at all times for all sums advanced. The SDO officer may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

SDO FUND RECONCILIATIONS

The Secretary of State has not performed reconciliations of its Special Disbursing Officer (SDO) advances in a timely manner.

Two reconciliations must be performed for the SDO fund each month. The bank statement for the checking account must be reconciled to the check register. Also, the check register must be balanced to the total SDO advance. These reconciliations must be formally documented. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 7)

FIXED ASSET INVENTORY

The fixed asset inventories of the Secretary of State Administration and the Election Division are not complete as to additions and retirements and assets have not been consistently tagged upon receipt. Additionally, an annual physical inventory of assets owned has not been conducted.

Each state agency is required to report to the Auditor of State all additions and retirements of assets with a cost of \$20,000 or more. Assets costing more than \$500 but less than \$20,000 must be maintained on an asset control system at the agency. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

SECRETARY OF STATE
REVIEW COMMENTS
May 31, 2003
(Continued)

Assets at the minimum level of \$500 must be tagged. Assets should be tagged upon receipt. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

Once a year, after receiving a Fixed Asset Master Listing, a physical inventory is to be taken and compared to the Master Listing and the agency's listing of assets from its asset control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 10)

DAILY DEPOSITS

The Secretary of State did not consistently deposit receipts for the Corporation Division within the following business day of being received. Additionally, the Election Division did not consistently deposit receipts for CFA manuals, copies, conference fees, code books, and maps within the following business day.

IC 5-13-6-1(b) states in part: ". . . all public funds . . . shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

DOCUMENT RETENTION

Several contracts to support contract disbursements selected for our review at the Secretary of State's Office could not be located.

Due to the lack of documentation, the validity and accountability for some monies disbursed could not be established.

Documents should be retained in accordance with a retention schedule approved by the Oversight Commission on Public Records. Also, documents must be filed in such a manner as to be readily retrievable or otherwise reasonably attainable, upon request, during an audit. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1 and Chapter 5)

SECRETARY OF STATE
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2003, with Ms. Heather Sewell, Chief Deputy Secretary of State; Mr. Davey Neal, Director of Operations; and Ms. Barbara Gray, Revenue Bookkeeper. The contents of this report were also discussed on October 15, 2003, with Mr. J. Bradley King and Ms. Kristi Robertson, Co-Directors of the Election Division. The official responses to the review findings have been made a part of this report and may be found on Pages 7 through 9.

SECRETARY OF STATE
STATE OF INDIANA



Todd Rokita
Secretary of State

October 3, 2003

Mr. Charles Johnson III, CPA
State Board of Accounts
302 West Washington Street; Room E418
Indianapolis, IN 46204

RE: 2003 Audit Official Response

Dear Mr. Johnson:

On behalf of Secretary of State Rokita, I would like to thank you and your staff for the professional and thorough audit conducted over the last few months. While we have been auditing ourselves since the beginning of our administration this year to ensure that we are operating as efficiently and effectively as possible, it has been helpful to have outside professionals assist us.

We want to thank you particularly for performing this audit so close to the start of our administration so that we can quickly address any outstanding issues. It is a top priority for us to continue to offer top quality service to our customers while serving as good stewards for taxpayer dollars. I have taken the opportunity to address each of the comments made by your staff after their audit of our operations. As a point of clarification, though, I do want to make it clear that I do not address here any of the comments made regarding the Indiana Election Division. Because of the statutes outlining the staffing process and the interpretation of those statutes by some members of the Indiana Election Commission, our office is not privy to and has no control over any of the division's payroll, SDO, or other accounts, or any other records involving timesheets, attendance records, other employee information, or other like records. The division's biennial budget is submitted separately from the budget for my office. I encourage you to direct any questions and/or comments regarding the Election Division to Co-Directors Kristi Robertson and Brad King.

SDO Fund

The staff member in our office responsible for the Administration and Enforcement SDO accounts spent considerable time during the audit working with the field examiners to review SDO administration over the past few years. That process was very successful in identifying previous accounting errors and remedying those.

SDO Fund Reconciliations

As indicated in the previous section, the staff member in our office responsible for the Administration and Enforcement SDO accounts spent considerable time during the audit working with the field examiners to review SDO administration over the past few years. That process was very successful in identifying previous accounting errors and remedying those. Monthly reconciliations will now be done.

Fixed Asset Inventory

The office will catalog all recent computer hardware purchases and file such with the Auditor of State according to Guidelines. In addition, the office will conduct a new inventory that we will compare to the previous inventory. We will provide the new information to the Auditor of State according to Guidelines.

Daily Deposits

The office is in the process of analyzing and preparing a plan for the conversion of the paper records of corporations filed in the Business Services Division and for the provision of online filing options for customers. We are also reviewing the option of modifying our internal software so that all receipts may be deposited within one business day.

Document Retention

The document that could not be located, which to my knowledge represents a contracts entered into in 1995 for copier service on one machine, will be located. Copies of all other current contracts are kept in a readily retrievable file.

Again thank you for your thorough audit that provided helpful information to our staff. Thank you to your field examiners who responded to our requests for assistance in reviewing the SDO accounts. Secretary Rokita and his staff are committed to providing efficient and effective services for our customers. Please do not hesitate to contact me at 317.23236584 or hsewell@sos.state.in.us should you have any questions or concerns.

Best regards,



Heather C. Sewell

Deputy Secretary of State/Chief of Staff
Indiana Secretary of State Todd Rokita



STATE OF INDIANA

TODD ROKITA, Secretary of State

J. Bradley King, Co-Director
Kristi Robertson, Co-Director

ELECTION DIVISION

302 WEST WASHINGTON STREET, ROOM E204
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November 3, 2003

To the State Board of Accounts:

Thank you for the opportunity to submit a written response to the May 31, 2003 Review Comments prepared by you for the Secretary of State's office. We also appreciated the opportunity to meet with representatives from your office to discuss these comments, and found that discussion both friendly and helpful.

We would begin by noting that notwithstanding its statutory designation as the "Election Division of the Secretary of State", the Election Division is in fact a separate administrative agency from the Office of Secretary of State. The agency is headed by two Co-Directors appointed by the Governor, upon recommendation of the two major political party state chairs. As Co-Directors, we are ultimately responsible for the day to day administration of the Division, not the Secretary of State.

With regard to the specific points regarding the Election Division noted in the Review Comments:

(1) SDO Fund. Following the preparation of these Comments on May 31, 2003, Administrative Assistant Kerrie Cobb conducted further review of the transactions in the SDO Fund. She advised State Board of Accounts representatives at the audit exit meeting that her records now show this Fund balance as \$74.68 in excess of the amount needed to balance to the advance (rather than \$350.00 less than the amount needed to balance to the advance). We are directing that the SDO Fund reconciliations be performed monthly in accordance with the guidelines set forth in the Review Comments.

(2) Fixed Asset Inventory: We are directing our staffs to consistently tag fixed assets upon receipt, and at the end of 2003 and each following calendar year, to conduct a physical inventory of these assets. The inventory will list each asset's tag number, serial number, cost, and date of purchase. We are also directing our staffs to obtain the necessary form from the State Auditor's office to report all additions and retirements of assets with a cost of \$20,000 or more.

(3) Daily Deposits: We are directing our staffs to consistently deposit receipts for manuals, conference fees, code books, and maps no later than 48 hours following receipt of the funds. We noted with State Board of Accounts representatives that daily deposits would sometimes result in unnecessary expenditures of time and resources when the amounts to be deposited on that day would be very small.

Thank you again for the opportunity to receive this information, and for your assistance in improving the efficiency of our office' work.

Sincerely,


J. Bradley King
Co-Director


Kristi Robertson
Co-Director